

ADVANCE APPROPRIATIONS

**Making Veterans Health Care Funding
SUFFICIENT, TIMELY, and PREDICTABLE**

December 2008

BACKGROUND OF VA HEALTH CARE FUNDING PROBLEMS

VA Health Care System Provides High Quality, Cost-Efficient Health Care

- Almost 8 million enrollees, currently 5.8 million veterans using the system
- Largest integrated health care system in the world
 - Over 1,000 hospitals, medical centers, outpatient clinics, and access points
 - Over 200,000 employees within the Veterans Health Administration (VHA)
- Numerous independent health care analysts and leading journalists have judged VA Health Care the “Best Care Anywhere”

Problems with Current Discretionary Funding Process

Insufficient and Inaccurate Funding

As enrollment of new veterans grew rapidly beginning in 2000, appropriations have not kept pace, forcing VA to make difficult choices to manage system:

2001: Waiting lists grow, totaling 250,000 veterans waiting 6 months or more

2002: VA places moratorium on marketing and outreach activities

2003: Secretary Principi cuts off enrollment for 16 million Priority 8 veterans

2004: Secretary Principi testifies VA’s budget request was cut \$1.2 Billion by OMB

2005: Secretary Nicholson reverses his budget testimony, and requests \$975 million additional funding; a few weeks later that request is increased to \$1.2 billion

Late, Delayed and Unpredictable Funding

- Appropriations Bills have been late in 19 of the past 22 years
 - Averaging 3 months late over the last seven years
- Congress has had to rely on creative budget “gimmicks” to keep VA operating
 - FY 2008 had special “burn rate” for VA health care in Continuing Resolution
 - Final FY 2008 appropriations bill required “emergency” designation
- “Delay is Denial” for health care services
- Management problems in hiring personnel – especially new doctors and nurses
- Uncertain budget levels from year to year hamper long range planning
- Late arriving appropriations leads to inefficient spending and waste, fraud, abuse

VA Enrollee Health Care Projection Model

- **Created in Partnership with Milliman, Inc.**
 - Leading Health Care Actuarial Firm
 - Massive Private Sector Database and Portfolio
 - Services Blue Cross/ Blue Shield Companies
- **New Model First Implemented in FY 2005 Budget**
 - Model has proven increasingly accurate (99%+)
 - Compares forecast with actual data to self correct
- **Expenditure Projections Derived from:**
 - Enrollment Projections
 - Utilization Projections
 - Unit Cost Projections
- **Projections developed using “bottom up” approach**
 - 58 Health care service categories
 - 506 geographic sectors
 - 11 Priority Groups
 - 3 Age Groups, Aggregated using Five-Year Age Bands
- **Adjustments Made For Reliance, Morbidity, Level of Health Care Management**
- **Future Trend Adjustments Made for Utilization and Intensity**
- **OEF / OIF Enrollees are Projected as Separate Cohort**

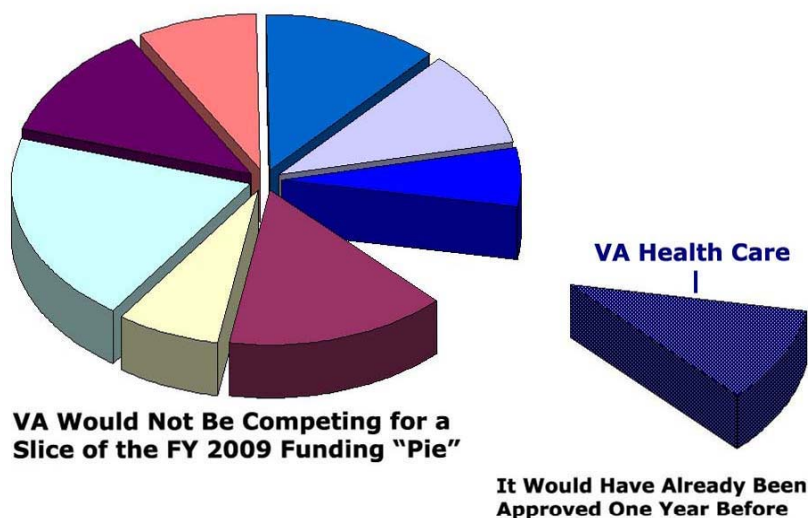
VA’s Model provides the most accurate estimate available for estimating the cost of providing the currently authorized medical services to the projected number of veterans who will utilize VA health care services in future years.

Proposal for Assuring Timely & Predictable Funding:

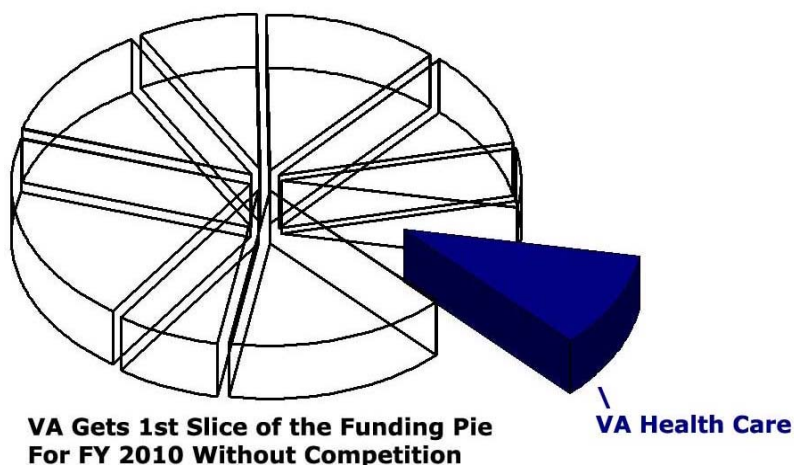
Fund VA Health Care through a One-Year Advance Appropriation

- Congress has authority to pass appropriations laws in advance; from partial years to multiple years in advance
- Different from 2-year budgets, which are passed every two years
- If VA Medical Care were already done by a one-year Advance Appropriation:
 - FY 2009 Appropriation would have already been approved in 2007
 - FY 2010 Appropriation would have been approved this year

FY 2009 Discretionary Funding



FY 2010 Discretionary Funding



Proposal for Assuring Sufficient & Accurate Funding:

1. Make VA's data-driven, actuarial Model (VA Enrollee Health Care Projection Model) and its annual resource needs estimate available for review by Congress, veterans and the media.
 - This will shift the terms of the debate from political to financial.
 - Focuses debate on the cost to care for veterans, rather than subjective opinions of the relative priority of providing care to veterans.
2. Require GAO to conduct regular audits on the accuracy and integrity of the Model as well as the data sets input into the Model.
3. Require GAO to publicly report to Congress at the beginning of the budget cycle with a "current services" estimate of funding needed for VA's medical care accounts for the next two fiscal years, based upon VA's Model.
4. In preparing this report, GAO could make recommendations for adjustments to the Model, assumptions, or data inputs if they determine it will lead to a more accurate projection, and provide such recommendations to Congress and the Administration for improving the Model.
5. Require GAO to review the model estimates and to report at other intervals where a significant update to prior estimates is available.